

CITY OF CHATTANOOGA



Earned Income Tax Credit Campaign Comparative Analysis

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Chattanooga EITC Initiative Supporters

Participating Sites:

1. Bethlehem Center
2. Brainerd Recreation Complex
3. Church Koinonia Federal Credit Union
4. Chattanooga Human Services
5. East Chattanooga Recreation Center
6. Northgate Mall
7. Orchard Knob Baptist Church
8. Shepherd Recreation Center

Site Volunteers:

1. Terry Calhoun
2. Noble Dance
3. Dorothy Satterfield
4. Shelly Houston
5. Marian Finn
6. Jean Lamb
7. Caroline Bentley
8. Natalie Bates
9. Karen Flores
10. Susan Phillips
11. Frank Hughes
12. Shirley Moon
13. Eustace Kigongo
14. Coretta Holmes
15. Roy Turley
16. Lawrence Akers
17. Angela Davis
18. Bert Shramko
19. Lantz Powell
20. Cantrell Deschell
21. Jeanne Garrison
22. David Andreae
23. Judy Knight
24. Allison King
25. Bob Graham
26. Jason Draper
27. Racheal Pickett
28. Regina Preston
29. Jo Coke
30. Betty Dantzler
31. Jerry Jeansonne
32. Sylvia Bennett

33. Blair Brown
34. Kenardo Curry
35. Robert Pearson
36. Candace Moss
37. Charles Dupree
38. Eloise (Vera) Davis
39. Ginger Hickey
40. Ginger Storrar
41. Cecil Hyatte
42. Hazel Shell
43. Takara Faulkner
44. Sharon Poole
45. Daisy Madison
46. Aneneli Taylor
47. Kristine Boerboom
48. Pamela Sheets
49. Lanna Makshimishin
50. Natalie Posey
51. Julie Karst
52. Linda Smith
53. Lindy Hicks
54. Brian Smart

Site Coordinators:

1. Tim Marshall
2. Jacqueline Linder
3. Ann Williams
4. Glenda Hill
5. Ronald Drake
6. Rosemary Thrailkill
7. Diane Williams
8. Ivy Strickland

Other Volunteers/Supporters:

1. Joseph Kotsis
2. David Killough
3. Rawlin Tate
4. Donna Lancaster
5. Dr. Melanie McCoskey
6. Elizabeth Luckey
7. Christian Montz
8. Michael Kaplan
9. Joyce Hixson
10. Curtis Johnson
11. Carol Brown

Chattanooga's Tax Credit Campaign for Working Individuals and Families

INTRODUCTION

During the 2004 tax season, the City of Chattanooga's Earned Income Tax Credit Campaign assisted over 2,183 low and moderate income taxpayers at eight sites around the City, returning \$2.6 million in federal tax dollars to the local economy.

In its inaugural year, Chattanooga became a leader in the growing national effort to promote the Earned Income Tax Credit (EITC), the Child and Dependent Care Credit and other tax credit programs for working individuals and families. An analysis of comparable efforts in 18 other communities across the nation found that on a per capita basis, Chattanooga's program ranked third in total returns, second in EITC returns, second in total refunds, fifth in number of volunteers and third in the number of available tax preparation sites.

Four factors led to Chattanooga's success:

- The existing Volunteer Income Tax Assistance (VITA) tax preparation sites
- IRS commitment and support
- Dedicated volunteers and other local contributors
- Leadership and resources from City Hall

About EITC

EITC is a tax benefit for working people who earn less than \$34,692¹ annually. Its purpose is to reduce their tax burden, supplement wages and make working more attractive than welfare.

Workers who qualify for the EITC and file a federal tax return can get back some or all of the federal income tax that was taken out of their pay during the year. Even workers whose earnings are too small to owe federal income tax can apply for EITC and receive a refund.

Single or married individuals, with or without children, who work full-time or part-time at some point during the year can qualify for the EITC, depending on their income.

¹ Earnings rate is subject to adjustment annually

EITC 2003			
EITC AMOUNT	NUMBER OF CHILDREN	MARITAL STATUS	
You can receive up to:	If you have:	And you are a single and earn:	Or you are married filing jointly, with a household income of
\$382	No children*	\$11,200 or less	\$12,200 or less
\$2,547	1 child	\$29,650 or less	\$30,650 or less
\$4,204	2 or more children	\$33,650 or less	\$34,692 or less
* You must be between age 25 and 65.			

According to the 2000 Census, 35,024 households in Chattanooga had an annual income less than \$34,999.

COMPARING CHATTANOOGA TO OTHER CITIES

Since 1970, local governments and not-for-profit organizations across the country have led campaigns to help low- to moderate-income wage earners capture federal, state and municipal tax credits which otherwise go unclaimed. The Annie E. Casey Foundation co-sponsors 34 campaigns nationally. Of the 34 campaigns, 18 shared information for this comparative analysis. These jurisdictions range in size from Camden, NJ (79,685) to a three county initiative in and around San Francisco (3,213,848). Chattanooga's 2004 EITC campaign was not affiliated with any national organization or initiative.

EITC Campaigns	Population	EITC Campaigns	Population
Alameda County, CA (2003) ²	3,213,848	Nashville, TN	545,915
Chicago, IL	2,886,251	New Orleans, LA	473,681
Philadelphia, PA	1,492,231	Tulsa, OK	391,908
San Diego, CA	1,259,532	Louisville, KY	251,399
Baltimore, MD (2003)	638,614	Des Moines, IA (2003)	198,076
Milwaukee, WI	590,895	Chattanooga, TN	155,403
Boston, MA (2003)	589,281	Savannah, GA (2003)	127,691
Washington, DC	570,898	Hartford, CT	124,558
Seattle, WA	570,426	Camden, NJ	79,685
Denver, CO (2002)	560,415		

² Includes Alameda, Contra Costa, and San Francisco counties

This comparative analysis addresses the following data:

- number of total federal tax returns and EITC returns
- value of the total federal tax refunds and EITC refunds
- number of sites
- number of volunteers.

Due to differences in population size, data is presented on a per capita (per 10,000 residents) basis.³

Based on the total number of federal and EITC returns completed, the value of refunds and number of sites and volunteers, Chattanooga out-performed many of the 18 other cities that provided data. On a per capita basis⁴, Chattanooga ranks third in number of total returns, second in EITC returns, second in amount of total federal refunds, fourth in EITC refunds, fifth in volunteers and third in the number of sites.

The Center for Economic Progress Coalition in Chicago, IL assisted the most taxpayers, 12,843. On a per capita basis, the Tulsa Community Action Project assisted 278 taxpayers per 10,000 citizens, followed by Milwaukee (144) and Chattanooga (136).

Total Returns (per capita)	
1. Tulsa	278
2. Milwaukee	144
3. Chattanooga	136

The Center for Economic Progress Coalition of Chicago, IL also assisted the most EITC eligible taxpayers, 5,892. On a per capita basis, Tulsa's Community Action Agency assisted an average of 121 taxpayers, followed by Chattanooga (41) and Milwaukee, WI (38).

³ In some cases, only 2002 or 2003 data was available

⁴ Per 10,000 citizens

Total EITC Eligible Returns (per capita)	
1. Tulsa	121
2. Chattanooga	41
3. Milwaukee	38

The Center for Economic Progress Coalition of Chicago, IL produced the highest total refund amount, \$15,951,146. On a per capita basis, the Tulsa, OK Community Action Agency led all campaigns by producing \$353,048 in refunds. Chattanooga produced \$165,536 ranked behind Tulsa and ahead of Hartford, CT (\$141,151).

Total Refunds (per capita)	
1. Tulsa	\$353,048
2. Chattanooga	\$165,536
3. Hartford	\$141,151

In returning the most EITC dollars to their citizens, the Center for Economic Progress Coalition of Chicago, IL again led all campaigns with \$8,520,806 overall. On a per capita basis, the Tulsa Community Action Project averaged \$166,470 EITC dollars. Chattanooga (\$59,059) ranked fourth behind Tulsa, Camden, NJ (\$76,468), and Milwaukee, WI (\$63,016).

EITC Refunds (per capita)	
1. Tulsa	\$166,470
2. Camden	\$ 76,468
3. Milwaukee	\$ 63,016
4. Chattanooga	\$ 59,059

The largest volunteer pool of the 19 nationwide campaigns belonged to the Alameda County, CA *Earn It! Keep It! Save It! Bay Area Coalition*, where over 1,000 people volunteered at 57 sites serving the Alameda, Contra Costa, and San Francisco Counties. On a per capita basis, the *Take Your Money Connecticut Coalition* of Hartford, CT averaged 8.67 volunteers. Chattanooga (3.38) ranked fifth behind Hartford, Camden, NJ (5.50), Milwaukee, WI (4.40), and Des Moines, IA (4.30).

Volunteers (per capita)	
1. Hartford	8.67
2. Camden	5.50
3. Milwaukee	4.40
4. Des Moines	4.30
5. Chattanooga	3.38

On a per capita basis, the *Camden Earned Income Tax Credit Campaign* averaged .88 sites. Chattanooga (.50) ranks third, behind Camden and Hartford, CT (.67).

Sites (per capita)	
1. Camden	.88
2. Hartford	.67
3. Chattanooga	.50

THE CHATTANOOGA PROGRAM

In the summer of 2003, the City of Chattanooga decided to launch an Earned Income Tax Credit Campaign. By helping Chattanooga's low- and moderate-income workers apply for and receive federal tax credits, the City would help pump millions of federal dollars into the hands of working families and back into the local economy.

During the campaign, 54 volunteers at eight Chattanooga sites provided tax assistance to 2,183 low to moderate income workers, including 652 who were eligible for EITC. The campaign yielded \$2,648,574 in federal tax refunds. Customers were satisfied too; of the 219 customers surveyed, 92.2 percent said they were "very satisfied" with service through city's EITC campaign and 97.7 percent will consider using service again next year.

According to IRS data, an estimated 5 to 10 percent of American workers who are eligible for tax credits don't apply for them. In 2001, an estimated 3,744 Chattanooga households eligible for EITC did not apply, leaving as much as \$6.5 million in Earned Income Tax Credits unclaimed.

Many eligible taxpayers believe they don't make enough to owe taxes and therefore aren't required to file a return. While this may be true, they miss the point: even people who don't owe taxes can receive a tax credit refund. People who haven't filed returns in previous years may also be reluctant to file now, fearing legal or financial repercussions.

In addition to unclaimed tax credits, EITC campaigns often target low income wage earners who pay considerable fees to preparers who offer speedy access to money. These tax payers are willing to pay several hundred dollars for a two to three day Refund Anticipation Loan rather than waiting for their actual refund to arrive. Along with the expense of filing the return, which can amount to several hundred dollars, these taxpayers risk owing principal and interest if the amount of the refund loan is greater than the actual refund amount.

Free income tax assistance was not new to Chattanooga. Dedicated volunteers had been preparing tax returns for qualified individuals for decades under the IRS' Volunteer Income Tax Assistance (VITA) program. Each site had operated under its own initiative in terms of recruiting volunteers and promoting service. In 2003, 20 volunteers at four sites prepared and filed approximately 1050 returns.

The City decided to supplement the existing VITA effort by recruiting volunteers, promoting the service among qualified taxpayers and increasing the number of VITA sites. The IRS agreed to partner with the City by providing volunteer training, site configuration and technical support. Volunteer site coordinators managed the day-to-day operations at the VITA sites including volunteer support and scheduling.

Targeted Outreach

With the help of IRS data, City organizers were able to identify by zip code the Chattanooga neighborhoods with a high number of EITC eligible households and a low number of credits claimed. The data also showed by zip code and income levels, the percentage of taxpayers using paid preparers.

In 2003, in the Avondale and East Chattanooga neighborhoods that comprise the 37406 zip code, the average EITC refund amount was \$1,893. Yet of the returns considered income eligible, only 58 percent claimed EITC; 81 percent of those who did claim EITC used paid preparers. Based on household income, the IRS estimated that another 518 households in these neighborhoods alone could have claimed as much as \$981,088 in tax credit refunds.

In the past, Chattanooga's VITA program had operated at four locations around the City. Still, many of the neighborhoods with the greatest number of potential EITC filers did not have a convenient preparation site. For residents in these targeted areas, the City sought to increase access to free tax services and awareness of EITC benefits.

The City converted space in three local recreation centers-East Chattanooga, Shepherd and Brainerd-for tax preparation assistance. Along with being conveniently located, each of these centers already had computer labs that could be used for the project. In addition, City Parks Recreation Arts and Culture (PRAC) officials saw this as an opportunity to introduce recreations centers to community residents who had not previously had a reason to visit them.

To increase awareness, City organizers conducted a door-to-door campaign. During the months of January and February, the City's Neighborhood Services Department organized teams of volunteers who distributed 5,000 flyers in the Alton Park, Avondale, Bushtown, Cedar Hills, East Chattanooga, East Lake, Martin Luther King Blvd, Shepherd, and Southside communities. Another 2,000 brochures advertising the free service were distributed to community groups and faith-based organizations and inserted into bulletins of area churches.

The City also publicized this new effort in the local press. Coverage from the Mayor's press conference aired on local television affiliates for ABC, CBS, Fox, NBC, and six local radio stations. In addition to the press conference coverage, WTVN, the local ABC affiliate, aired a segment on their morning show about the City's EITC campaign. The local newspaper, *The Chattanooga Times Free Press*, published several articles about the City's campaign.

According to customer surveys, people learned about the free tax preparation service in a variety of ways.

How Customers Heard about the Program	
TV/ newspaper/ radio	16.5%
Their employer	11.0%
At church	4.6%
A family member or friend	30.7%
Other (roadside banners, posters)	37.2%

Volunteers

The City led the effort to recruit volunteers who, once trained by the IRS, would prepare returns for VITA site customers. Flyers with the slogan "*Help Your Neighbors Help Themselves*" were mailed to over 1,000 business and community leaders asking them to spread the word about the volunteer opportunity to employees and constituents. Emails with the same message were sent to City employees, community organizations such as the Chamber of Commerce and the Urban League, the local accounting society, colleges and universities, and the United Way's volunteer center. Organizers visited churches, attended neighborhood association meetings and submitted articles to the Chattanooga Area Chamber of Commerce newsletter and to *Common Ground*, the newsletter distributed to the members of the City's 150 neighborhood associations.

The recruitment effort worked. Between mid-October and the end of December 2003, over 108 volunteers signed up to serve. The group included accounting students, grocery store managers, banking associates, CPAs, City employees, IRS agents, social workers, priests, retirees, teachers, and others.

Site Operation

In preparing for this year's campaign, organizers tapped into the knowledge and experience of long time VITA volunteers and site coordinators.

- **Service Duration** - In the past, sites opened February 1 and remained open until April 15. This year, the sites would open earlier, January 20. Each site would determine if they wanted to remain open until April 15 or if they wanted to close sooner. Filers receiving refunds and tax credits typically file their returns as early as possible, reducing the demand for service after the end of February.
- **Operation Hours** - It would be up to each site to determine their hours of operation, based on the number of volunteers available.
- **Customer Appointments** - In previous years, some sites had used an appointment system, while others elected to serve people on a first come

first serve basis. Again, each site determined their preferred method of operation. Northgate and Orchard Knob elected to use the walk-in approach, while the other sites elected to use an appointment system.

- **Site Administration** - Representatives from the IRS would handle site set-up, conduct training for site coordinators and serve as technical support for coordinators and volunteers during the campaign.
- **Volunteer Registration and Coordination** - 311, the City's Call Center, made volunteer registration simple and convenient. When interested volunteers called 311, customer service representatives recorded the name, contact information, experience level and service preferences of each volunteer. This information was then shared with organizers and site coordinators.

Organizers assumed that the demand for free tax service would only increase in light of the City's planned promotional activities. So the decision was made to spread a wide net. Each candidate was asked to commit a minimum of 12 hours at the site of their choosing. To promote scheduling efficiency, each site coordinator would be responsible for coordinating the volunteers assigned to their location.

Training

While the IRS advocated that training begin as early as possible, organizers advocated for a "just in time" approach to increase the chances that the volunteers would be better able to retain and apply the information learned.

Long time VITA volunteers advocated for multi-day training that more heavily emphasized tax law. Newer site coordinators felt the one-day TaxWise software overview was sufficient to serve the needs of target clients.

Logistics were another consideration. The IRS wanted to work with smaller classes, eight to 10 people at a time, to give more hands on attention. Yet, there were a large number of volunteers to train before the sites opened January 20.

Thanks to the efforts of Dr. Melanie McCoskey from the University of Tennessee at Chattanooga's College of Business Administration, the University opened one of its state of the art computer labs for volunteer training. Sessions were held on Saturdays from late November through mid-January. The City's own computer training room, was used as a backup.

IRS representatives led the training sessions. While class size was limited to eight at City Hall and 15 at the UTC lab, actual attendance ranged from 4 to 10 people at City Hall and as many as 20 people at the UTC lab.

While hands-on exposure to TaxWise software was effective, many volunteers, especially those with limited tax knowledge, wanted more opportunities to familiarize themselves with the software than the one-day training permitted. They also sought assurances that knowledgeable tax specialists would be on hand to help answer questions during hours of VITA site operation.

LOOKING FORWARD

What are some of the "best practices" and "lessons learned" from this first year effort? In addition to their own assessments, organizers conducted interviews with all site coordinators and 20 volunteers, 10 who participated actively and 10 who completed training but did not volunteer.

- **City Sponsorship** - The City's leadership in terms of volunteer recruitment and campaign promotion helped create extra visibility and community awareness for the program.
- **Recreation Center VITA Sites** - All three recreation centers proved attractive to VITA customers. The well-equipped computers labs also proved easy to convert for VITA service.
- **311** - The Call Center was a useful resource for volunteer registration. Customer service representatives were also able to answer basic questions for citizens about EITC and the local VITA service. Call representatives estimate they received well over 1,300 calls from interested citizens, including approximately 850 in the days following the Mayor's January press conference to announce the service.
- **Training Facilities** - UTC's College of Business Administration's computer lab provided a well-equipped training facility in an easily accessible location.
- **Marketing Approach** - The grassroots marketing approach attracted more than 2,000 customers to the sites who were interested in taking advantage of free tax preparation service.
- **Site Schedule** - The only requirement given to the sites was that they open on January 20. Each site chose its own hours and days of operation. As a result, service was available to customers somewhere in the City Monday through Saturday, both day and evening. Sites could also determine when to stop offering service. Some chose to remain open through April 15, while others closed at the end of February when most EITC eligible refund recipients had already filed their returns.

Features that need change or improvement include:

- **Volunteer Management and Site Coordination** - While the City recruited 108 volunteers, 80 completed the one-day training class and earned the IRS certification and only 54 actively participated at the sites. Some volunteers indicated that they felt they needed more training in order to prepare returns, which in the end may have caused them to decline to participate. Others never connected with site coordinators.

Volunteer support, encouragement and communication need special attention, especially in the days following training and during the volunteer's first sessions at the site.

Site coordination is best managed by people who are confident in their knowledge of VITA operations and TaxWise software, and who can manage customers and volunteers effectively. Ideas that would enhance the site coordinator role next year include:

- Hiring paid coordinators with specific accountabilities for site operation and performance
 - Dividing the site coordinator and volunteer coordinator activities into separate roles between two or more individuals
 - Conducting site coordinator training and support earlier in the process
 - Increasing regular communication between coordinators once the sites open
- **Training and Support** - Training was an issue for both volunteers and new site coordinators. Many volunteers reported feeling unsure of their abilities following the one-day training session. New site coordinators also underestimated the volume and type of activities involved. While some of this can be attributed to the normal "learning curve," adjustments need to be made to provide volunteers and site coordinators with the assurances they need. Possible solutions include:
 - Hosting a one-day training session for site coordinators that encompasses not only site administration but also volunteer management
 - Offering additional practice sessions to volunteers prior to their actual service
 - Using a buddy system to pair new volunteers with experienced volunteers
 - Providing local on-call technical support for site coordinators during all hours of operation.

New ideas to consider for next year include:

- **Performance standards** - Define performance standards, policies and procedures for sites that participate in the City's promotional campaign.

- **Customer Data** - Collect more data about customers and volunteers.
- **Partnerships** - Seek co-sponsors to actively promote the campaign (such as area employers), participate in volunteer recruitment and help with site operation.
- **EITC/VITA Website** - Add a page to the City of Chattanooga's website to provide information about tax credits, free income tax assistance and volunteer opportunities.
- **Financial Education** - Consider using the EITC campaign as a component to promote financial education among low- and moderate-income workers.
- **Promotional Event** - Consider sponsoring a tax credit day at a local mall or recreation center to publicize awareness about tax credits and free tax preparation service.

About This Report

This report includes data from 19 cities across the country. All but one, Chattanooga, participated in the Earned Income Tax Credit initiative sponsored by the Anne E. Casey Foundation. Each campaign collected and reported data in different ways. Some campaigns did not report the number of volunteers or the total amount of EITC refunds, for example.

It is also important to know that the tax preparation activity generated by these campaigns does not necessarily reflect the entire effort put forth in these communities. Nashville's coalition, for example, included three of the City's eight VITA sites.